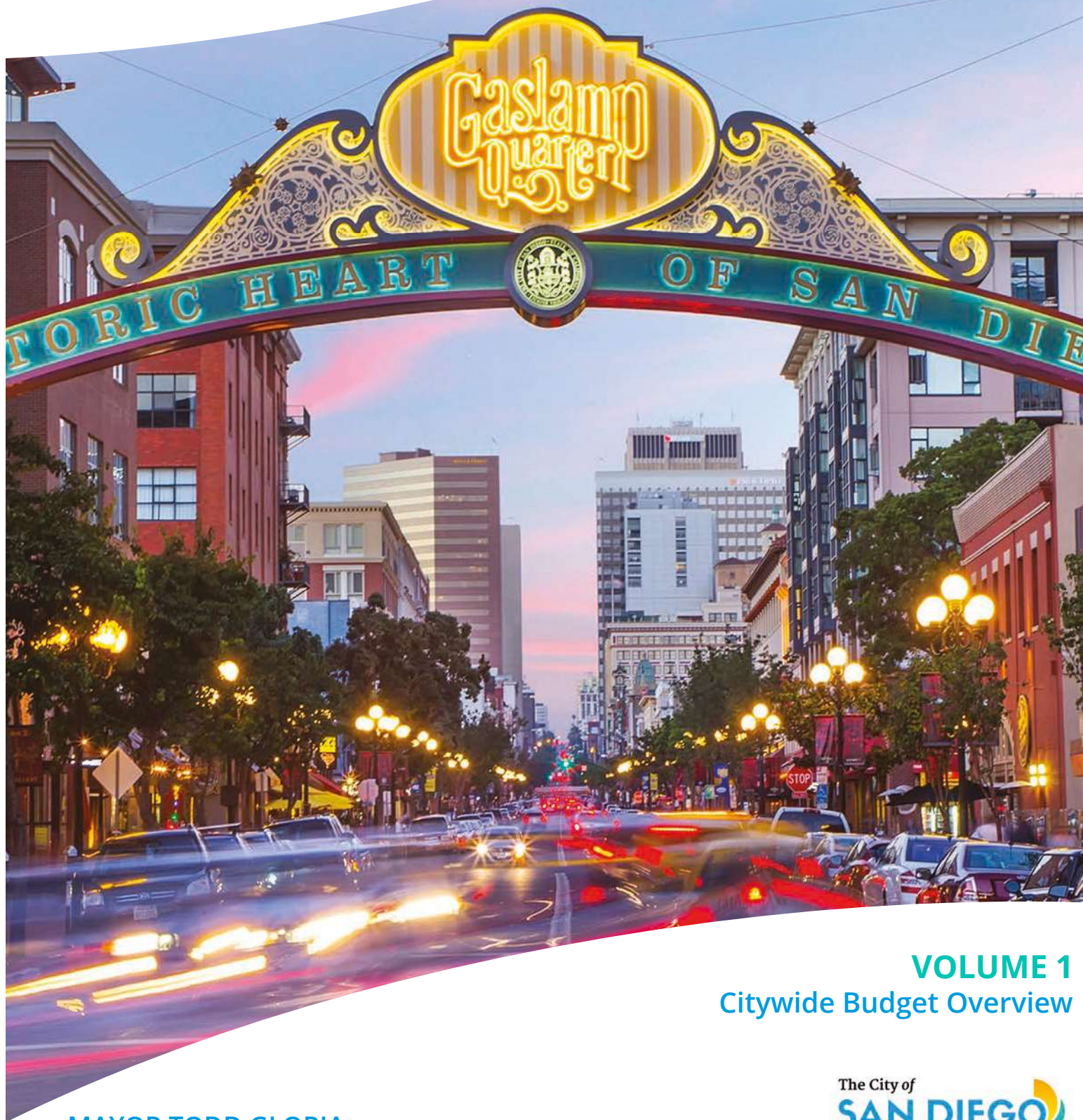


Proposed FISCAL YEAR Budget 2022



VOLUME 1 Citywide Budget Overview

MAYOR TODD GLORIA

The City of
SAN DIEGO

Citywide Budget Overview



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Citywide Budget Overview

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The City of San Diego's Fiscal Year 2022 Proposed Budget of \$4.6 billion is comprised of five operating fund types and the Capital Improvements Program (CIP):

- General Fund;
- Special Revenue Funds;
- Capital Project Funds;
- Enterprise Funds;
- Internal Service Funds; and
- Capital Improvements Program.

Table 1 shows the change in expenditures from Fiscal Year 2020 to Fiscal Year 2022 by fund type/program.

Table 1: Change in Total City Expenditures from Fiscal Years 2020 - 2022 by Fund Type/Program

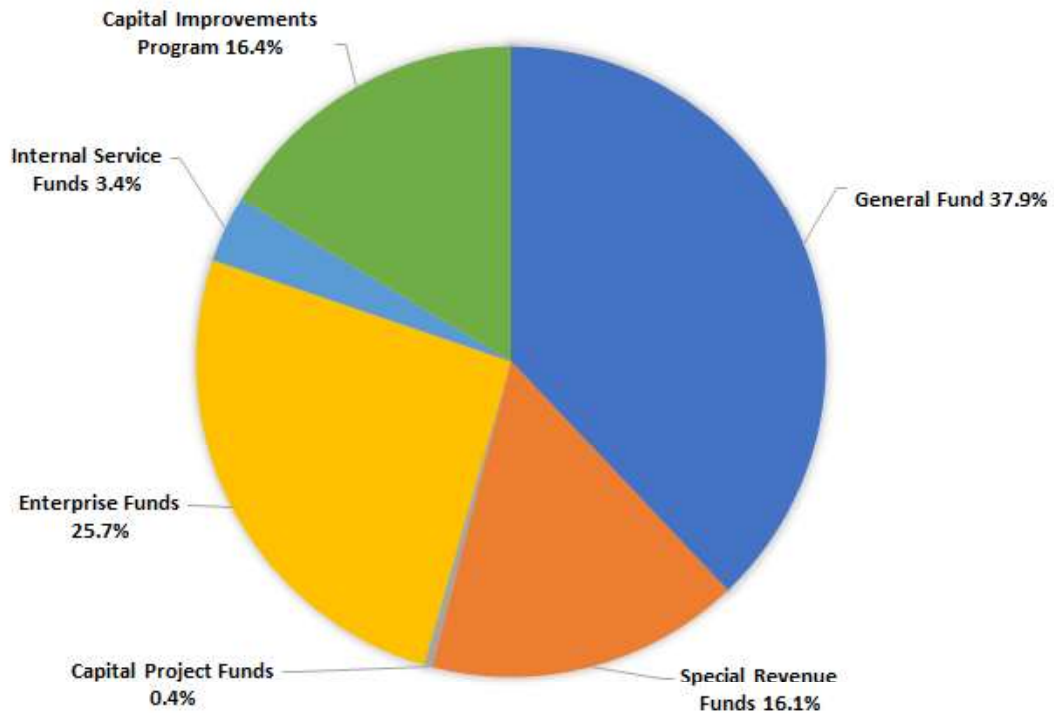
Fund Type	FY 2020 Actual	FY 2021 Adopted Budget	FY 2022 Proposed Budget	FY 2021 – FY 2022 Change	Percent Change
General Fund	\$ 1,574,983,937	\$ 1,620,936,801	\$ 1,728,726,612	\$ 107,789,811	6.6%
Special Revenue Funds	622,399,452	703,236,480	734,819,961	31,583,481	4.5%
Capital Project Funds	18,772,046	32,381,167	19,114,832	(13,266,335)	(41.0%)
Enterprise Funds	1,024,510,425	1,131,361,283	1,173,526,007	42,164,724	3.7%
Internal Service Funds	130,529,965	166,446,233	155,279,347	(11,166,886)	(6.7%)
Capital Improvements Program	583,999,644	367,484,544	747,486,801	380,002,257	103.4%
Total	\$ 3,955,195,469	\$ 4,021,846,508	\$ 4,558,953,560	\$ 537,107,052	13.4%



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Figure 1 displays the Fiscal Year 2022 Proposed Expenditure Budget by Fund Type/Program.

Figure 1: Fiscal Year 2022 Proposed Expenditure Budget by Fund Type/Program



Note: Percentages may not add to 100% due to rounding.

Table 2 presents the changes in revenues from Fiscal Year 2020 to Fiscal Year 2022 by fund type.

Table 2: Changes in Total City Revenue from Fiscal Years 2020 - 2022 by Fund Type

Fund Type	FY 2020 Actual	FY 2021 Adopted Budget	FY 2022 Proposed Budget	FY 2021 - FY 2022 Change	Percent Change
General Fund	\$ 1,538,501,109	\$ 1,620,936,801	\$ 1,728,726,612	\$ 107,789,811	6.6%
Special Revenue Funds	614,854,297	608,836,341	650,903,395	42,067,054	6.9%
Capital Project Funds	47,584,337	95,866,628	48,701,068	(47,165,560)	(49.2%)
Enterprise Funds	1,361,333,691	1,417,738,585	1,810,784,090	393,045,505	27.7%
Internal Service Funds	133,358,801	151,316,115	154,012,076	2,695,961	1.8%
Total¹	\$ 3,695,632,235	\$ 3,894,694,470	\$ 4,393,127,241	\$ 498,432,771	12.8%

¹ Operating revenues may be less than operating expenditures due to the use of fund balance in excess of reserves.

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Expenditure Overview by Fund Type/Program

General Fund

Departments within the General Fund provide core community services such as public safety (including police/fire protection and life safety), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. The City's Fiscal Year 2022 Proposed Budget reflects General Fund expenditures totaling \$1.73 billion, which is an increase of \$107.8 million or 6.6 percent from the Fiscal Year 2021 Adopted Budget. Details on the total net increase in the General Fund are described in the General Fund Expenditures section of this Volume.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The two largest special revenue funds are the Engineering & Capital Projects Fund and Underground Surcharge Fund. The Fiscal Year 2022 Proposed Budget for Special Revenue Funds is \$734.8 million, representing an increase of \$31.6 million or 4.5 percent from the Fiscal Year 2021 Adopted Budget. This net increase is primarily due to an increase in the Road Maintenance and Rehabilitation Fund resulting from an increase in projected gas tax proceeds over Fiscal Year 2021.

Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. These funds typically make up a small portion of the overall CIP, which can be supported by all fund types. The Fiscal Year 2022 Proposed Budget for Capital Project Funds is \$19.1 million, which is a decrease of \$13.3 million or 41.0 percent from the Fiscal Year 2021 Adopted Budget. This decrease is primarily due to a reduction in the Capital Outlay Fund related to debt service payments for deferred capital bonds funded on a one-time basis in Fiscal Year 2021.

Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2022 Proposed Budget for Enterprise Funds is \$1.17 billion, representing an increase of \$42.2 million or 3.7 percent from the Fiscal Year 2021 Adopted Budget. This net increase is primarily due to the following adjustments:

- \$25.9 million in the Water Utility Operating Fund primarily associated with bond principal payments supporting operations, preventative maintenance, purchase of water, dam support, and Pure Water operations;
- \$10.1 million in the Sewer Fund primarily associated with maintenance at various facilities, energy program, and hauling and disposal of biosolids;
- \$2.2 million in the Airports Fund primarily for maintenance and repair of the new Gibbs Drive and Aero Drive facilities;
- \$1.8 million in the Development Services Fund primarily associated with the restructure of the Urban Planning and Review Program from the General Fund into the Enterprise Fund; and
- \$1.6 million in the Refuse Disposal Fund primarily associated with the lease of heavy equipment at the Miramar Landfill.

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Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal year 2022 Proposed Budget for Internal Service Funds totals \$155.3 million, which is a decrease of \$11.2 million or 6.7 percent from the Fiscal Year 2021 Adopted Budget. This net decrease is primarily due to reductions in the Fleet Operations Replacement Fund associated with a one-time transfer of fund balance to the General Fund in Fiscal Year 2021.

Capital Improvements Program

The CIP budget allocates available revenue to rehabilitate, restore, improve, enhance and increase the City's capital assets. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), Mission Bay lease revenue, and other City enterprise funds. The Fiscal Year 2022 Proposed CIP Budget appropriates a total of \$747.5 million above the \$1.51 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2022 Proposed CIP Budget is an increase of \$380 million or 103.4 percent when compared to the Fiscal Year 2021 Adopted CIP Budget of \$367.5 million. This is primarily due to an increase of funding needs in Public Utilities Department Enterprise Fund projects for Pure Water.



The CIP budget projects *anticipated funding* in the CIP project pages. For Fiscal Year 2022, a total of \$255.7 million in *anticipated funding* for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2022 Proposed Budget. *Anticipated funding* includes a variety of funding such as commercial paper, lease revenue bonds, revenue bonds and notes, donations, grants, developer funding, and Facilities Benefit Assessments. Not all anticipated funding materializes; however, as anticipated sources of funds are received, separate City Council actions will be brought forward to appropriate any anticipated funding during Fiscal Year 2022.

Citywide Reorganization/Restructuring

The Fiscal Year 2022 Proposed Budget reflects the reorganization (and/or restructuring) and the creation of City departments related to executive management strategies and department-initiated requests. The reorganizations are intended to refine programs and processes, and provide comprehensive organizational improvements. Reorganizations are, but not limited to, the restructuring of departments and major divisions and program within a department and are intended to increase the overall efficiency and effectiveness of City operations. In turn, the result of these internal reorganizational practices can result in the creation of City departments. The following provides an overview of the Fiscal Year 2022 Proposed Budget reorganizations and restructures to the City's organizational structure. Per Charter Section 26, all newly created departments included in the Proposed Budget must be approved by ordinance via a two-thirds vote from the City Council.

Facilities Services

The Facilities Services Division provides a range of services including citywide facilities maintenance and repair, for all Asset Owning Departments including the General Fund. This restructure will transfer the oversight of 174.50 FTE positions and \$22.9 million in expenditures and associated revenue from the Real Estate Assets Department to the Fleet Operations Department.

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Homelessness Strategies Department

The Homelessness Strategies Department is a newly created department dedicated to the centralization of homelessness-related programs and initiatives. The establishment of the department will help the City expand and improve programs and services available for individuals experiencing homelessness, and support oversight over state grant funds. The programs part of the department include: bridge shelter operations; positions that coordinate homeless programs and services; addition of 3.00 FTE positions, homeless shelters and services programs; homelessness response center; and transfers to the San Diego Housing Commission. This new department will oversee citywide homelessness programs and acquire additional programmatic funding. Per Charter Section 26, this newly created department must be approved by ordinance via a two thirds vote from City Council.

Office of the Chief Operating Officer

The Fiscal Year 2022 Proposed Budget eliminates 1.00 Assistant Chief Operating Officer, 1.00 Deputy Chief Operating Officer, and consolidates the remaining Deputy Chief Operating Officers and support staff into the Office of the Chief Operating Officer. Additionally, the Proposed Budget reflects the transfer of direct oversight of the Office of Homeland Security from the Police Department to Chief Operating Officer.

Compliance Department

The Compliance Department, headed by the Chief Compliance Officer, is a newly-created Department that will focus on citywide facilitation and response to internal and external audits, and coordinate compliance with local, State and federal regulations related to labor, wages, health and safety, and environmental issues. The Department will align existing City programs to create an Office of Labor Standards Enforcement to uplift health and safety labor standards, effectively enforce labor laws, and protect workers and citizens by combining oversight of the Minimum Wage and Earned Sick Days Program, Prevailing Wage, Living Wage Program, and Labor Compliance Programs. The Department will also play a central coordinating role in the City's Enterprise Risk Management efforts. This restructure reflects the consolidation of existing non-personnel expenditures and positions into this new Department and nearly budget neutral. The consolidation of existing positions and resources include: 4.00 FTE positions from the Purchasing and Contracting department Living Wage program and Administrative Hearings programs; 4.00 FTE positions from the City Treasurer Minimum Wage Compliance program; and 6.00 FTE positions from the Risk Management Safety & Environmental program. The Prevailing Wage program is reflected in the Engineering and Capital Projects Department in the Fiscal Year 2022 Proposed Budget and is anticipated to be consolidated into the Compliance Department in the Mayor's May Revision to Fiscal Year 2022 Proposed Budget.

Office of the Commission on Police Practices

The newly created Office of the Commission on Police Practices has been created due to the passage of Measure B which amended the City's Charter to replace the Community Review Board on Police Practices. The Office of the Commission on Police Practices will be appointed by the City Council to conduct investigations, and subpoena witnesses and documents related to deaths resulting from police interactions and complaints made against police officers. The creation of the Office of the Commission on Police Practices is partially funded by the transfer of 1.00 Executive Director and non-personnel expenditures from the Community Review Board on Police Practices. The remainder of the Department is funded by the addition of 11.00 FTE positions and non-personnel expenditures to support the operations and compliance with Measure B requirements.

Purchasing and Contracting

In an effort to create synergies and efficiencies, the procurement team within the Contracts Division of the Public Works Department will report to the Purchasing & Contracting Department effective July 1, 2021. The centralization of contracting within the City will allow for consistency and standardization within the City's

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procurement processes. The procurement team within the Contracts Division of Public Works is reflected in the Engineering and Capital Projects Department in the Fiscal Year 2022 Proposed Budget and is anticipated to be consolidated into the Purchasing & Contracting Department during Fiscal Year 2022.

Special Events & Filming Program

The Special Events & Filming program provides a portfolio of services designed to support San Diego neighborhoods, as well as the City's special events, filming, business, and tourism industries in order to generate local jobs, hundreds of millions of dollars in economic impact, and extensive worldwide media exposure for the San Diego region each year. The Special Events and Filming program has been restructured to no longer operate within the Department of Cultural Affairs. This restructure is budget neutral. The transfer includes 6.00 FTE positions, non-personnel expenditures, and associated revenues from the Department of Cultural Affairs to the Special Events and Filming program.

Urban Planning Review Program

The Urban Planning Review program, is responsible for the planning, permitting, and parking programs in downtown San Diego. This restructure will transfer 8.00 FTE positions, non-personnel expenditures, and associated revenue from the Smart and Sustainable Communities Branch to the Development Services Fund. The planning and permitting functions include the operation and management of the downtown Community Plan implementation studies, jobs, and consultant agreements, as well as the provision of development entitlement services, including the review of new project designs and discretionary property use permits.

Fiscal Year 2022 General Fund Proposed Budget

The Fiscal Year 2022 General Fund Proposed Budget is a reflection of a multi-year analysis that funds critical expenditures in Fiscal Year 2022 and addresses the projected revenue shortfalls in Fiscal Year 2021, Fiscal Year 2022, and in future fiscal years. The multi-year analysis reflects updated information to projected revenue shortfalls included the Fiscal Year 2021 Mid-Year Budget Monitoring Report and the Fiscal Year 2022-2026 Five-Year Financial Outlook. The multi-year analysis also includes a comprehensive review of critical expenditure requests and proposed reductions submitted by each department in Fiscal Year 2022, as well as the recommended allocation of the Coronavirus State and Local Fiscal Recovery Funds included in the American Rescue Plan Act (ARP) and other resources and mitigation actions to help address the projected revenue shortfalls in Fiscal Year 2021, Fiscal Year 2022, and in future fiscal years. While the revenue shortfalls for Fiscal Year 2021 and Fiscal Year 2022 in the General Fund are projected to be addressed in this Proposed Budget, there is an ongoing need to reach a structurally balanced budget where expenditures are supported with ongoing revenue. Currently, to achieve a balanced budget in future fiscal years it will require further mitigations such as use of reserves, additional budget reductions, or identification of new revenue sources. The following sections provide additional details considered in the Fiscal Year 2022 General Fund Proposed Budget.

Fiscal Year 2021 General Fund Budget

The Fiscal Year 2021 Mid-Year Budget Monitoring Report (Mid-Year Report) was released on January 29, 2021 and reflected a projected General Fund revenue shortfall of \$85.4 million at year-end. Since the release of the Mid-Year Report, the Department of Finance issued a memorandum to City Council on March 22, 2021 to provide updated projections for the four major General Fund revenues to include an additional month of receipts received by the City. The update included a total increase of \$8.5 million; property tax revenue increased by \$1.2 million, sales tax revenue increased by \$0.2 million, transient occupancy tax revenue increased by \$0.1 million, and franchise fees increased by \$7.0 million. The change in franchise fee revenue was due to a new statement received from San Diego Gas & Electric on February 25, 2021. The Fiscal Year 2021 Adopted Budget for gas and electric franchise fees included a growth rate developed in March 2020 of negative 9.47 percent to account for anticipated impacts from the pandemic and possible

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recession, which was in-line with historical patterns based on previous recessions. However, based on the recent statement provided by San Diego Gas & Electric, gas and electric usage has remained flat throughout the year, despite the pandemic, resulting in an increase of \$7.0 million for Fiscal Year 2021 when compared to projections assumed in the Mid-Year Report.

On February 10, 2021, the Chief Operating Officer issued a memorandum to Department Directors, titled *Fiscal Year 2021 Financial Actions For COVID-19*. This memorandum provided direction regarding the hiring process for General Fund positions, restrictions on overtime and limits to non-personnel expenditures, safety, and critical operations. As result of these directives, the Department of Finance is preliminary projecting savings of approximately \$6.0 million by year-end.

Additionally, since the release of the Mid-Year Report, the Department of Finance performed an analysis on anticipated accruals in payroll expenses. A change in methodology was made to better reflect the impact of the annual payment of the Actuarial Determined Contribution (pension payment) and other fixed fringe accounts. This change results in anticipated one-time savings of \$5.3 million when compared to personnel expenditure projections assumed in the Mid-Year Report.

As a result of the major revenue update, newly anticipated current year savings, and the \$14.5 million of unassigned fund balance in excess of reserves reported in the Mid-Year Report, the revised revenue shortfall for Fiscal Year 2021 is estimated at \$51.1 million. Please note that the estimated revenue shortfall only reflects the updates mentioned above. These estimates may change with the completion of the Fiscal Year 2021 Third Quarter Budget Monitoring Report (Third Quarter Report) scheduled for release on May 18, 2021. This report will include updates to all General Fund year-end revenue and expenditure projections.

Fiscal Year 2022-2026 Five -Year Financial Outlook

In November 2020, the Fiscal Year 2022-2026 Five-Year Financial Outlook (Outlook) was released with a projected revenue shortfall of \$124.1 million in Fiscal Year 2022, as displayed in **Table 3**.

Table 3: Fiscal Year 2022-2026 Five-Year Financial Outlook

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Baseline Revenues	\$ 1,545.2	\$ 1,609.5	\$ 1,685.1	\$ 1,747.4	\$ 1,802.8
Baseline Expenditures	1,669.3	1,716.2	1,769.3	1,775.2	1,796.9
Baseline Revenue (Shortfall)/Surplus	\$ (124.1)	\$ (106.7)	\$ (84.2)	\$ (27.8)	\$ 5.9

The baseline revenue shortfall in Fiscal Year 2022 is primarily due to the use of one-time funding sources to balance the Fiscal Year 2021 Adopted Budget, including \$146.0 million of one-time COVID-19 State and Federal Relief Funds. Additionally, the Outlook assumed the beginning of an economic recovery in Fiscal Year 2022 and reaching pre-recession levels by Fiscal Year 2025. This assumption was primarily dependent upon a vaccine becoming widely available to the public in summer/fall 2021 and group travel to begin to increase in the spring of 2021. Since then, the Fiscal Year 2022 Proposed Budget has been developed and reflects updated baseline revenues and expenditures for Fiscal Year 2022 which result in a new shortfall of \$107.6 million, as shown in **Table 4**.

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Table 4: Updated Fiscal Year 2022-2026 Five-Year Financial Outlook

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Baseline Revenues	\$ 1,550.8	\$ 1,646.3	\$ 1,721.7	\$ 1,788.1	\$ 1,846.0
Baseline Expenditures	1,658.4	1,716.2	1,769.3	1,775.2	1,796.9
Baseline Revenue (Shortfall)/Surplus	\$ (107.6)	\$ (69.9)	\$ (47.6)	\$ 12.9	\$ 49.1

The updated projections reflect a positive overall impact due to acceleration of the vaccine distribution, a decrease in COVID-19 infection rates, the passing of the American Rescue Plan Act (ARP), and a gradual lessening of federal and State restrictions. For Fiscal Year 2022, these changes reflect a net increase of \$5.7 million in revenue and a net decrease of \$12.4 million in expenditures. The primary changes to baseline revenues reflect an increase of \$20.4 million in the sales tax projection offset by a decrease of \$10.0 million in transient occupancy tax revenue. The primary changes to Fiscal Year 2022 baseline expenditures reflect a decrease of \$12.4 million primarily due to updated non-discretionary and personnel costs since the publication of the Outlook. However, the overall variance in the Fiscal Year 2022 baseline budget from the Outlook is relatively minor, with a 0.37 percent variance in baseline revenues and 0.65 percent variance in baseline expenditures. Additional details are included in the General Fund Revenues and General Fund Expenditures sections of this Volume.

Due to the changes in the economic environment and receipt of new data, the analysis also included an update to Fiscal Year 2023 through Fiscal Year 2026 to incorporate revenue revisions to the four major General Fund revenues, as well as cannabis business tax revenue. Baseline expenditures for these years reflect no baseline assumption changes. Thus, the changes in the overall baseline shortfalls are due to updates made to baseline revenues. As displayed in **Table 5**, the shortfalls have improved each year due to the updates further described below.

Table 5: Changes in Five-Year Outlook Shortfall/Surplus

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Outlook Baseline Revenue (Shortfall)/Surplus	\$ (124.1)	\$ (106.7)	\$ (84.2)	\$ (27.8)	\$ 5.9
Change from Outlook to Updated Outlook	16.5	36.8	36.6	40.7	43.2
Updated Baseline Revenue (Shortfall)/Surplus	\$ (107.6)	\$ (69.9)	\$ (47.6)	\$ 12.9	\$ 49.1

The change in property tax revenue resulted in an increase of \$9.4 million in Fiscal Year 2023 with similar change amounts through Fiscal Year 2026. This is primarily due to a return to pre-pandemic collection rates and positive trends in home sales and prices. On March 23, 2021, the City received an updated forecast from the City's sales tax consultant which reflected a positive growth in sales tax revenue over the outlook period due to a boost from the American Rescue Plan Act and an accelerated economic recovery. Sales tax increased by \$24.4 million in Fiscal Year 2023 with slightly higher increases per year through Fiscal Year 2026. Although the economy is expected to experience a quicker recovery than anticipated, San Diego Tourism Marketing District and Tourism Economics anticipate a slower recovery in the tourism industry. The updated Outlook for TOT revenues reflect a decrease of \$5.7 million in Fiscal Year 2023, with the remaining years of the Outlook reflecting similar decreases per year. As discussed above, the change in

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franchise fees is a result of the San Diego Gas & Electric statement received on February 25, 2021, which provided an updated base amount to which growth was applied. This resulted in an increase to Fiscal Year 2023 of \$7.1 million with slightly higher increases per year through Fiscal Year 2026. In addition to updates to major revenues, a revision to the cannabis business tax projection resulted in an increase of \$1.5 million in Fiscal Year 2023 and continued increase per year due to an updated trend analysis. A full update to the Five-Year Financial Outlook for Fiscal Year 2023-2027 will be released in early November 2021 following the standard timeline.

To summarize, the baseline shortfall for Fiscal Year 2022 is \$107.6 million. In addition to balancing the immediate baseline revenue shortfall, the multi-year analysis required planning for a structural revenue shortfall projected through Fiscal Year 2024. The baseline revenue shortfall for Fiscal Year 2023 to 2024 is projected as shown on **Table 5** and will require additional resources and other budget mitigations reflected in the following sections.

Fiscal Year 2022 Critical Expenditures

In addition to solving the baseline revenue shortfall, the Fiscal Year 2022 Proposed Budget also required balancing the need for new services and to maintain current services. The Fiscal Year 2022 Proposed budget includes approximately \$57.5 million for new services and \$44.0 million to maintain current services. New services include some top Mayoral priorities such as the Back to Work SD initiative, homelessness funding to support our most vulnerable communities, infrastructure funding for the “sexy” streets initiative in communities of concern, and the creation of the Climate Equity Fund to help underserved communities effectively respond to impacts of climate change. Notable additions to maintain current services include funding for anticipated compensation increases with the City’s Recognized Employee Organizations currently being negotiated and for unrepresented employees, funding for the continuation of COVID-19 sanitation and supplies, funding for positions filled in prior fiscal years, but not yet added in the annual budget, and funding to maintain operational and capital support of the Convention Center. Program summaries for the Back to Work SD, “Sexy” Streets, Clean SD, Organics Collection Program mandated by State Bill 1383, Homeless programs and services, Climate Action Plan, and Vision Zero are included in the following sections.

For a summary of all significant budget adjustments included in the General Fund, please refer to the General Fund Expenditures Section of this Volume.

Back to Work SD

The Fiscal Year 2022 Proposed Budget includes \$15.0 million in one-time funding for programs to get San Diegans back to work through a variety of initiatives. These initiatives are discussed in further detail below, **Table 6** breaks down the funding for each program.

Table 6: Back to Work SD

Back to Work SD	FY 2022 Proposed Budget
General Fund	
Small Business Aid	\$ \$11,900,000
Small Business Loans	10,000,000
Technical Assistance for Street Vendors	250,000
Restoration of Small Business Enhancement Program	750,000
City Council Discretionary Grants	900,000
Youth Programming	\$ 3,099,881
No Shots Fired	250,000

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Back to Work SD	FY 2022 Proposed Budget
SDAccess4all Initiative	450,000
Connect2 Careers	750,000
Summer Youth Recreation Programming	400,000
Youth Diversion Programming	500,000
Summer Youth Environmental/ Recreation Corps Program	250,000
Library Summer Camp	499,881
General Fund Total	\$ 14,999,881

Small Business Aid

The Fiscal Year 2022 Proposed Budget includes \$10.0 million in the Economic Development Department for Small Business loans that will provide forgivable loans to qualified businesses and nonprofits that COVID-19 has negatively impacted. The San Diego Foundation will manage the program to ensure equity and partner with the Small Development Corporation to assist with business needs. The San Diego Foundation will contribute an additional \$2.0 million to match the City's investment to nonprofits to increase the fund to \$12.0 million. The San Diego Foundation will work with ethnic chambers in the region to provide outreach. Most awards will range from \$5,000-\$25,000. The City's commitment will include \$2.0 million for BIPOC-owned small businesses, \$2.0 million to nonprofits most impacted by the pandemic, and \$6.0 million for small businesses in the hardest-hit industries, including but not limited to:

- i. Personal Health: Gyms & fitness, personal services, beauty, massage, training, physical therapy, chiropractic, etc.
- ii. Eating and Drinking Establishments: Restaurants, cafes, breweries & bars, etc.
- iii. Tourism, Leisure, and Entertainment: Hotels, Tours, Service industry, Entertainment venues/big events, film industry, etc.
- iv. Arts and Creative Economy: theaters, museums, art exhibition showrooms, dance recital halls, gig economy, etc.

The Fiscal Year 2022 Proposed Budget includes \$750,000 in the Economic Development Department for the restoration and Enhancement of the Small Business Enhancement Program with a focus on communities of concern. Funding for businesses may include a micro-district grant program for businesses in communities of concern and Business Improvement District support for increasing focus on businesses and driving increased flexibility when they need it most.

The Fiscal Year 2022 Proposed Budget includes \$250,000 in the Economic Development Department to assist street vendors with the City's permitting and application process. In order to comply with State Bill 946, the Mayor will be proposing new regulations governing sidewalk vending will be established. This funding will be used to: educate and provide outreach to vendors about the City's pending sidewalk vending ordinance; provide technical assistance to vendors; fund permit fee waivers; and provide grants to vendors for capital needs such as new pushcarts, equipment, and technology.

The Fiscal Year 2022 Proposed Budget includes \$100,000 in each City Council District (9) for a total of \$900,000 to provide grants to businesses and non-profits in their district that are impacted by the COVID-19 pandemic.

Youth Programming

The Fiscal Year 2022 Proposed Budget includes \$250,000 in the Police Department associated with the No Shots Fired Intervention and Prevention Program. This program will seek to mitigate violence with the use

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of strategic partnerships with faith leaders, community-based organizations, the San Diego Police Department (SDPD), the Commission on Gang Prevention and Intervention, and the Community Assistance Support Tea (CAST).

The Fiscal Year 2022 Proposed Budget includes \$450,000 in the Department of Information Technology for the SD Access 4 All initiative that will continue to expand internet access at City libraries and parks, by providing: outdoor community computer labs at 10 libraries, 900 cellular Wi-Fi hotspots for patrons to check out for home use, and 255 Wi-Fi hotspots on San Diego streets.

The Fiscal Year 2022 Proposed Budget includes \$400,000 in the Parks and Recreation Department for Summer Youth Recreation Programming. Funding will support equitable access to recreational opportunities at 16 recreation centers, 3 additional park venues, and 5 aquatic locations located in communities of concern. This funding leverages coordination, planning, and philanthropic contributions from the San Diego Parks Foundation and Price Philanthropies, and \$750,000 in federal relief funds from the County of San Diego.

The Fiscal Year 2022 Proposed Budget includes \$250,000 in the Parks and Recreation Department for Summer Youth Environmental/Recreation Corps Program. This will fund community organizations supporting youth employment and scholarship opportunities that prioritize opportunity youth.

The Fiscal Year 2022 Proposed Budget includes \$750,000 in the Economic Development Department associated to Connect2Careers. The Workforce Partnership will work directly with young adults ages 16-24 who are not working and not in school, to develop and support their career goals through work-readiness training, case management, job coaching and paid work experiences

The Fiscal Year 2022 Proposed Budget includes 4.43 FTE positions and \$499,881 in non-personnel expenditures in the Library Department associated with the Library Summer Learning Camp Enhancement. This program will help prevent the summer slide and enrich summer learning with a blend of core academic learning and hands-on activities that explore science, technology, arts and literacy, through meaningful interactions that prepare students for school. The City is planning a series of these focused on STEAM and Kindergarten Readiness.

Climate Equity Fund

The Fiscal Year 2022 Proposed Budget includes \$5.0 million in funding for the Climate Equity Fund (CEF) contribution to be used for City infrastructure project within underserved communities to help these communities effectively respond to the impacts of climate change. In order to be eligible to receive CEF funding, projects must have an impact on reducing greenhouse gas emissions, enhancing safety in the public right-of-way, relieving congestion, or achieve other climate equity concerns and be located in a disadvantaged community located within an area that scores between 0 and 60 on the Climate Equity Index. In accordance with the City Council resolution the minimum annual allocation to CEF eligible projects is:

- One percent of the total annual revenue received through Transnet;
- One percent of the total annual received through the Gas Tax; and
- 10 percent of the total General Fund revenue received through the annual gas and electric franchise fees.

The Fiscal Year 2022 Proposed Budget reflects the minimum allocation. Due to the timing of the newly created CEF, the allocation to specific projects will be budgeted in the Mayor's May Revision to the Proposed Budget or as part of City Council's modification to the Proposed Budget.

Employee Compensation

The Fiscal Year 2022 Proposed Budget includes \$22.1 million in funding for anticipated compensation increases to support the current economic proposals under negotiation with the City's six Recognized Employee Organizations and for unrepresented employees. While these proposals are not yet finalized,

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this amount reflects an estimate of a possible outcome of the negotiations. The City and its Six Recognized Employee Organizations are still in negotiations pursuant to the Meyer-Milias Brown Act and the final amount will not be known until the good faith negotiations are completed. Labor negotiations are an ongoing effort to make progress in the alignment of the City's employee compensation with the current employment market.

Homeless Programs and Services

The Fiscal Year 2022 Proposed Budget includes \$21.8 million in funding for homeless programs and services, with \$21.6 million budgeted in the General Fund and \$250,000 budgeted in the Low to Moderate Income Housing Asset Fund. Additionally, a proposal of \$2.3 million in Community Development Block Grant (CDBG) funds for homelessness and housing related programs, services, and projects is anticipated to be presented to City Council for consideration in April of 2021, see Table 9 below. The City is also anticipated to leverage \$23.5 million from the State's Homeless Housing, Assistance and Prevention (HHAP) in Fiscal Year 2022 to address the immediate emergency needs of individuals and families experiencing homelessness or at imminent risk of homelessness. HHAP funding was made in two rounds between Fiscal Year 2020 and Fiscal Year 2021. **Table 7** displays the Fiscal Year 2022 Proposed Budget for homeless programs and services by department and fund.

Table 7: Homeless Programs and Services by Department and Fund

General Fund	FY 2022 Proposed Budget
Homelessness Strategies Department	
Homeless Shelters and Services Programs	\$ 15,943,964
Coordination of City Homeless Programs and Services ¹	1,789,594
Homelessness Response Center	300,000
Total Homelessness Strategies Department	\$ 18,033,558
Police Department	
Homeless Outreach Team (HOT)	3,551,189
Total Police Department	\$ 3,551,189
Total General Fund	\$ 21,584,747
Low to Moderate Income Housing Asset Fund	
Homelessness Response Center	250,000
Total Low to Moderate Income Housing Asset Fund	\$ 250,000
Total Citywide Resources	\$ 21,834,747

Note: Table is not intended to capture all staff related costs outside of Homelessness Strategies Department and Police Department HOT. All grant funds such as HHAP are excluded but are discussed in the write-up below.

¹ The General Fund is anticipated to be reimbursed \$160,929 by HHAP grant funds for eligible expenses associated with the administration of the grant funds.

Homeless Shelters and Services Program

The Fiscal Year 2022 Proposed Budget includes approximately \$15.9 million from the General Fund in the Homelessness Strategies Department, including \$2.2 million for the following three homeless programs and services:

- Year-Round Interim Housing Program
- Connections Housing/PATH Interim Bed Program
- Serial Inebriate Program (SIP)

Citywide Budget Overview

The Housing Commission administers various homelessness programs through a Memorandum of Understanding with the City that was initially authorized by City Council on July 1, 2010.

The Proposed Budget also includes \$3.8 million to maintain shelter capacity in accordance with the Community Action Plan on Homelessness.

The Fiscal Year 2022 Proposed Budget includes an additional \$10.0 million in one-time non-personnel expenditures associated with homeless programs and services focused on crisis intervention and housing investment opportunities. The programs for this funding include:

- \$1.4 million to expand substance use disorder (SUD) interventions and invest in detoxification beds. Of this amount \$250,000 will be used to review resource utilization and capacity of SIP and PLEADS and supplement programs with successful exits to support clients. The remaining amount will be used to create approximately 65 beds with adequate social distancing for short term stays to help individuals manage their withdrawals with substance abuse;
- \$6.3 million to add up to 300 interim shelter beds at new sites to address the need for additional beds as identified in the Community Action Plan on Homelessness and support outreach and crisis management initiatives;
- \$1.0 million to staff the PATH Coordinated Street Outreach program in order to expand the outreach program from 17.00 FTEs to approximately 28.00 FTEs. This program uses trained social workers and peer specialists to connect unsheltered residents with shelter, housing, and supportive services; This brings the total funding in the Fiscal Year 22 Proposed budget to \$2.5 million to support Person-Centered Unsheltered Outreach. This is in line with recommendations from the Community Action Plan on Homelessness (Action Plan), the Regional Task Force on the Homeless' (RTFH) outreach protocol, and aligning these policies with the City's main outreach program objectives.
- \$1.0 million for Rapid Rehousing programs that serve higher need individuals/households. This will expand said programs to serve an additional 100 households. This program will help individuals and families experiencing homelessness to quickly obtain and maintain permanent housing through a tailored package of assistance that can include rental assistance and case management; and
- \$300,000 to support the Homelessness Program for Engaged Educational Resources (PEER) course, a first-of-its kind collaboration between SDHC and San Diego City College. This course will provide specialized education, training and job placement assistance to develop the workforce needed for programs and services that help San Diegans who are experiencing homelessness.

To continue the City of San Diego's progress in addressing homelessness through a broad spectrum of housing solutions that meet each individual's unique needs, the proposed initiatives will be paired with Federal and State investments in Project Homekey, housing production, emergency vouchers and rental assistance as part of a multifaceted approach to expand housing options for vulnerable San Diegans experiencing unsheltered homelessness.

Coordination of Homeless Programs and Services

The Fiscal Year 2022 Proposed Budget includes \$1.8 million in the Homelessness Strategies Department for personnel and non-personnel expenditures associated with staff coordinating citywide homeless programs and services. The Fiscal Year 2022 Proposed Budget includes the addition of three positions, one Deputy Director and two Program Managers, to support the department. These positions are designed to expand capacity in key strategic areas, to increase the City's in-house expertise on homelessness policies, strategies, and solutions, and to implement stronger internal and external partnerships and coordination, and are in line with the findings and recommendations from the City's homelessness consultant.

Citywide Budget Overview

Additionally, the General Fund is anticipated to be reimbursed \$160,929 from HHAP grant funds for the administration of the block grants.

Homelessness Response Center

The Homelessness Response Center is operated and administered by the Housing Commission. The program's objective is to provide system navigation services to identify and meet the needs of individuals experiencing homelessness during each stage in their pathway toward housing. The Fiscal Year 2022 Proposed Budget includes \$550,000 for the Homelessness Response Center operations, including \$300,000 from the General Fund and \$250,000 from the Low to Moderate Income Housing Asset Fund. A proposal for use of \$1.0 million in CDBG funding for the Homelessness Response Center operations is anticipated to be presented to City Council for consideration in the Spring of 2021.

Homeless Outreach Team

The Police Department's Homeless Outreach Team (HOT) uses a community-oriented policing approach to address the unique needs of the City's homeless population. HOT team leaders bring together behavioral health clinicians from the Psychiatric Emergency Response Team (PERT), public health nurses, and social workers from the Health and Human Services Agency to provide outreach and engagement services throughout the City of San Diego, in order to connect unsheltered individuals with available services. HOT works with individuals who may otherwise be subject to enforcement action for violation of various local ordinances and state statutes, but utilizes engagement instead. Its approach is a means to connect individuals with the homelessness system of care in a way that avoids contact with the criminal justice system.

The Fiscal Year 2022 Proposed Budget includes \$3.6 million from the General Fund to support personnel and non-personnel costs.

Community Development Block Grant (CDBG) Funding

In Fiscal Year 2022, \$2.3 million in CDBG program allocations are anticipated to fund homeless programs, services, and projects.

Table 8 displays the Fiscal Year 2022 CDBG allocations related to homeless and housing programs, services, and projects.

Table 8: CDBG Allocations for Homeless Programs, Services, and Projects

Program, Service, and Project	Fiscal Year 2022
Homelessness Response Center	\$ 1,000,000
CDBG Allocations (CP 700-02 Set-Aside)	\$ 1,318,078
Day Center for Homeless Adults	541,251
Connections Housing Interim Bed Program	303,575
Interim Housing for Homeless Adults	267,351
Emergency Shelter for Families	205,902
Total CDBG Entitlement Allocations	\$ 2,318,078

Homeless Housing, Assistance and Prevention (HHAP) Funding

The Homeless Housing, Assistance, and Prevention (HHAP) grant is a \$650 million one-time block grant that provides local jurisdictions in the State of California with funding to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges. The State awarded the City of San Diego with \$22.5 million in HHAP grant funding, which must be fully expended by June 30, 2025. In June 2020, the City Council approved the use of the \$22.5 million in HHAP funding.

Citywide Budget Overview

In Fiscal Year 2021, \$6.8 million in HHAP is projected to be spent, leaving \$15.1M remaining to expend in Fiscal Year 2022 as follows:

- \$11.8 million for operating subsidies and reserves, including the operations of three bridge shelters;
- \$200,000 for outreach coordination, including transitional storage and coordination of the City's homeless outreach efforts;
- \$600,000 for prevention and diversion, including the safe parking program, diversion, and Prosecution and Law Enforcement Assisted Diversion Services (PLEADS);
- \$954,000 for rapid rehousing efforts; and
- No more than \$1.6 million for administrative costs such as grant administration, monitoring, and program coordination over the life of the grant.

Staff expects that in Fiscal Year 2023 the remaining \$650,000 will be spent on Youth, and Prevention and Diversion.

In November 2020, the State announced the availability of \$300 million in a second round of HHAP funding (HHAP-2). HHAP-2 is a five-year grant with eligible uses including rapid re-housing, operating subsidies, street outreach, services coordination, systems support, delivery of permanent housing, prevention and shelter diversion, and navigation centers and emergency shelters. The City submitted its application in January of this year and expects to receive \$10.6 million and expend \$8.4 million in Fiscal Year 2022. Funds must be fully expended by June 30, 2026. Homelessness Strategies staff anticipates bringing the grant forward to City Council toward the end of Fiscal Year 2021 for approval to accept, appropriate, and expend the grant on safe parking, emergency storage, rapid rehousing and homeless youth services.

The City also expects to receive approximately \$21.0 million for housing stability as part of the American Rescue Plan Act. The funds can be used for tenant-based rental assistance, affordable housing, supportive services for those not already receiving them, which includes housing counseling, homeless prevention services, and transitional housing. Other eligible uses include the acquisition and development of non-congregate shelter units, which may be converted to permanent affordable housing, used as emergency shelters, or remain as non-congregate shelter units. Funds can also be used to provide emergency vouchers to transition those experiencing or at risk of homelessness, survivors of domestic violence, and for bringing victims of human trafficking to stable housing. Economic Development Department and Homelessness Strategies staff anticipate bringing a spending plan forward to City Council before the end of Fiscal Year 2021.

Infrastructure Fund (Charter Section 77.1)

In June 2016, voters approved Proposition H, requiring the City to dedicate specific sources of revenue to fund new General Fund infrastructure, such as streets, sidewalks, bridges, buildings, and the maintenance and repair of such infrastructure.

The calculation to fund the new Infrastructure Fund is based upon the following:

- Major Revenues Increment – amount equal to 50.0 percent of the year over year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees for Fiscal Year 2018 through Fiscal Year 2022;
- Sales Tax Increment – an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year 2016 actual receipts, adjusted by the California Consumer Price Index (CCPI) for Fiscal Year 2018 through Fiscal Year 2043; and
- General Fund Pension Cost Reduction – any amount if pension costs for any fiscal year are less than the base year of Fiscal Year 2016 for Fiscal Year 2018 through Fiscal Year 2042.

Citywide Budget Overview

Based on the definitions in Charter Section 77.1, the amount of \$20.3 million is required to be deposited into the Infrastructure Fund for Fiscal Year 2022 unless the Mayor requests the suspension of section 77.1 for one fiscal year and two thirds of the City Council approves that suspension.

As discussed later, the Fiscal Year 2022 Proposed Budget includes the proposal to suspend the requirements of section 77.1 of the City Charter for one fiscal year to mitigate the revenue shortfall and allow for the use for other general fund purposes.

“Sexy” Streets #ForAllofUs Initiative

Each neighborhood in San Diego deserves Sexy Streets, which means slurry seal to maintain good roads, overlays for roads that need new paving, and reconstruction of roads that need a complete makeover. Sexy Streets #ForAllofUs is a down payment in our communities of concern, a nearly \$40.0 million total investment in historically underserved neighborhoods that haven't seen quality road repairs for years. This includes \$10.0 million in one-time funding from the Fiscal Year 2022 Budget and nearly \$30.0 million in Commercial Paper. Funding will go toward paving longstanding decrepit roads with new overlay and road reconstruction in communities of concern. Along with investing in our roads, Sexy Streets #ForAllofUs will also bundle opportunities for Complete Streets to include traffic calming and congestion improvements, new sidewalk connections, necessary sidewalk repairs, streetlights, new and upgraded bicycle infrastructure, and investments in our stormwater system. This investment will be prioritized based on critical transit and multimodal routes and is an essential step toward righting historic wrongs in our most marginalized and underinvested communities while improving sustainable infrastructure needed to meet our Climate Action Plan goals.

Organics Collection – State Bill 1383

In September 2016, Governor Brown signed into law State Bill 1383 (SB 1383) establishing methane emissions reduction targets in a statewide effort to reduce emissions of Short-lived Climate Pollutants. SB 1383 establishes targets of a 50.0 percent reduction in the level of the statewide disposal of organic waste from 2020, with a 75.0 percent reduction by 2025. SB 1383 requires the City to have an adopted ordinance and enforcement mechanism by January 1, 2022. In addition, the City must implement the following:

- Citywide organics collection;
- Establish an edible food recovery program;
- Procurement of recovered organic waste products;
- Tracking and reporting of metrics to California's Department of Resources Recycling and Recovery;
- Conduct education and outreach; and
- Starting in 2024, conduct escalating enforcement

Full implementation of SB 1383 requirements will be phased over several years and will include upgrading facilities, additional vehicles, contracts, equipment, software and supplies, and the addition of approximately 100 positions. The Fiscal Year 2022 Proposed Budget reflects funding of \$8.1 million, including \$7.3 million in the General Fund and \$754,400 in the Recycling Fund. Funding will be used for food waste education and outreach, vehicle routing software, equipment and outfitting for new positions, and the addition of 53.00 FTE positions. The majority the 53 positions will start in the last month of Fiscal Year 2022 with the budgeted costs prorated to reflect that assumption.

Table 9 displays the Fiscal Year 2022 Proposed Budget additions for SB1383 by fund.

Table 9: SB 1383

Environmental Services	FY 2022 Proposed Budget
General Fund	
53.00 FTE Positions	\$ 551,643

Citywide Budget Overview

Contracts, Equipment, Software and Supplies	\$	1,367,489
Facility Upgrades		5,421,600
General Fund Total	\$	7,340,732
Recycling Fund		
Software	\$	240,000
Recycling Fund		
Facility Upgrades		514,000
Recycling Fund Total	\$	754,400
Total Fiscal Year 2022 Additions	\$	8,094,732

Vision Zero

In June 2015, the City announced its support for the Vision Zero campaign to eliminate all traffic fatalities and severe injuries in San Diego by 2025. Vision Zero is supported through the integration of the 3 E's of traffic safety: Engineering, Education, and Enforcement.

In the Fiscal Year 2022 Proposed Budget, \$18.2 million will be allocated to promote the City's Vision Zero goals, including \$6.2 million for bicycle facilities, \$4.5 million for new sidewalk installations, \$4.1 million for traffic signals, \$2.0 million for Medians, and \$1.2 million for new streetlights. **Table 10** displays the allocation of funds to applicable Vision Zero projects.

Table 10: Vision Zero Projects

Vision Zero Project Type/Grouping	Project ID	FY 2022 Proposed Budget ¹
Bicycle Facilities		
Bike Counters Citywide	New	\$ 50,000
Bike Racks Citywide	New	50,000
Bike Striping Citywide	New	100,000
Coastal Rail Trail	S00951	6,000,000
Bicycle Facilities Total		\$ 6,200,000
Medians		
Median Installation	AIG00001	\$ 2,000,000
Foothill Boulevard and Loring Street Roundabout	B18008	2,000,000
Medians Total		\$ 2,000,000
Sidewalks		
New Walkways	AIK00001	\$ 4,500,000
54th-Market to Santa Margarita Sidewalk	B18158	400,000
73rd Street and El Cajon Boulevard to Saranac Street	B18017	420,000
ADA Mid-City MS TSW-1	B18054	1,000,000
Genesee Avenue and Chateau Drive to Sauk Avenue Sidewalk	B15168	2,000,000
Howard Ave-Village Pine to Iris Sidewalk	B18019	600,000
Wightman Street and Ogden to Shiloh Road Sidewalk	B18039	80,000
Sidewalks Total		\$ 4,500,000

Citywide Budget Overview

Vision Zero Project Type/Grouping	Project ID	FY 2022 Proposed Budget ¹
Signals - Calming/Speed Abatement		
Traffic Calming	AIL00001	\$ 200,000
Kettner Boulevard & Palm Street Hybrid Beacon	B18046	20,000
India Street at West Palm Street Hybrid Beacon	B17100	110,000
Rectangular Rapid Flashing Beacons Group 2201	New	70,000
Signals - Calming/Speed Abatement Total		\$ 200,000
Streetlights - Citywide		
Installation of City-Owned Streetlights	AIH00001	\$ 1,200,000
Castle Neighborhood New Street Lights	B19080	100,000
Citywide Street Lights - FY19	B19052	50,000
Citywide Street Lights 1950	B19125	1,000,000
Reo Drive New Street Lights	B19079	50,000
Streetlights - Citywide Total		\$ 1,200,000
Traffic Signals		
Traffic Signals -- Citywide	AIL00004	\$ 2,500,000
31st Street and Market School Traffic Signal	B15014	400,000
31st Street and National Avenue Traffic Signal	B17019	500,000
47th Street and Solola Avenue Traffic Signal	B20141	150,000
Division Street and Osbourn Street Traffic Signal	B15047	100,000
Division Street and Valencia Parkway Traffic Signal	B15008	180,000
El Cajon Boulevard and Kansas Street Traffic Signal	B19060	530,000
Mississippi Street and El Cajon Boulevard	B20140	340,000
Torrey Pines Road Pedestrian Hybrid Beacon	B20146	300,000
Traffic Signals Modification	AIL00005	\$ 1,720,000
Ash Street Signal Mods	B18069	190,000
Black Mountain Road and Park Village FY13 APS	B13207	10,000
Downtown Audibles 4th Av & E; B St & Front St	B18162	160,000
Pacific Hwy & Palm St Signal Mod	B13008	125,000
Traffic Signal Mods Grp 19-01	B19069	400,000
Traffic Signal Mods Grp 19-02	B19071	200,000
Traffic Signal Mods Grp 20-01	B20075	400,000
Washington Street and Front Street Signal Modification	New	235,000
Traffic Signals Total		\$ 4,120,000
Total Vision Zero Project Type/Grouping		\$ 18,220,000

¹Parent projects are in bold and contain the sum of the child projects which are indented and italicized

Citywide Budget Overview

Mobility Action Plan

The Fiscal Year 2022 Proposed Budget includes \$120,000 to develop a Smart Mobility Plan that will identify the most effective and trans-formative mobility improvements with the goal of helping the City achieve the State's greenhouse gases (GHG) reduction targets. The Smart Mobility Plan will help the City create a more balanced, multi-modal transportation network for access of all ages and abilities, while minimizing environmental and neighborhood impacts. The plan will include outreach with targeted strategies to ensure equitable engagement of all City stakeholders. Additionally, the plan will assist the City's capital project prioritization process by: aligning it with the long-range mobility planning process; to meet climate and equity goals; and create a healthier, safer, and more sustainable transportation network and City.

Implementation of the Climate Action Plan

In December 2015, the City Council adopted the Climate Action Plan (CAP). The CAP set greenhouse gas (GHG) emissions reduction targets for 2020 (15.0 percent reduction) and 2035 (50.0 percent reduction) from a 2010 baseline. The CAP identifies goals and actions in the following five strategic areas to reach or exceed GHG targets and ensure the City is prepared for a changing climate:

- Energy & Water Efficient Buildings
- Clean & Renewable Energy
- Bicycling, Walking, Transit & Land Use
- Zero Waste
- Climate Resiliency

Moving forward, the City will update its Climate Action Plan to include aggressive new goals and strategies. The City will accelerate the adoption of electric vehicles, incentivize employees to work remotely, encourage the use of alternative modes of transportation, and will have all City facilities use 100 percent clean energy through San Diego Community Power.

Principles of sustainability and projects that reduce GHG emissions or improve the economic, social, or environmental sustainability of the City are woven throughout many departments and functions within City operations. However, the City budget is structured by functional departments and not by sector or initiatives. Because the efforts that support the CAP cross many departments and are embedded in many different projects and initiatives, the CAP Implementation Budget Summary presented here highlights new funding which is requested through the City's official budget process to support the different strategic areas of the CAP to facilitate a discussion about implementation of the CAP. It is important to note that throughout the year there are other sources of funding (e.g. Community Development Block Grants) or budget adjustments that are not captured in this report but do assist in achieving the City's CAP goals.

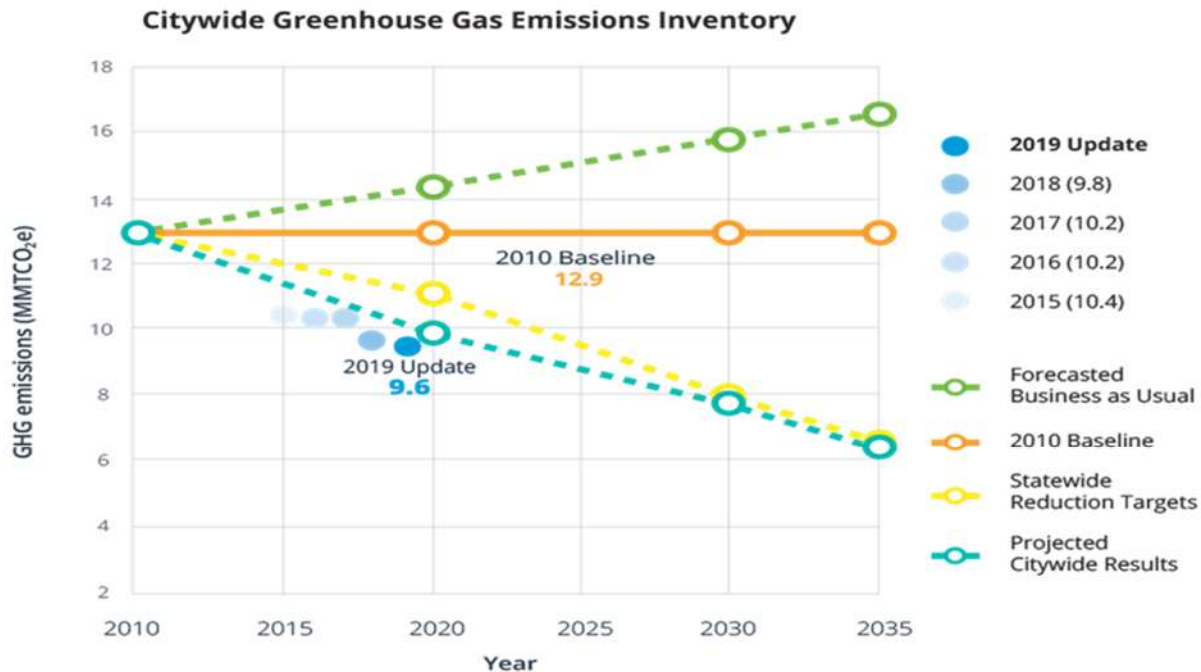
San Diego's CAP is considered a national model. The City is breaking new ground in policies, programs, and methodologies to implement the plan. As a national leader, techniques for implementing evolve and improve over time as processes are established, metrics are created or improved, and annual monitoring begins. The Fiscal Year 2022 Proposed Budget demonstrates that the City remains committed to keeping the economic, social, and environmental principles of sustainability at the forefront of decision-making.

Progress Towards Achieving Climate Action Plan Goals

Figure 2 shows the citywide GHG inventory. The total GHG emissions from San Diego in 2019 were approximately 9.6 million metric tons CO₂e (MMT CO₂e), a 25% decrease in emissions from 2010. Decreases in GHG emissions from electricity consumption, transportation, solid waste and water use offset some increase seen from natural gas consumption and wastewater production year-over-year.

Figure 2: Citywide Greenhouse Emissions Inventory and Projections

Citywide Budget Overview



Summary of Climate Action Plan Adopted Budget

Table 11 is a summary of investments across City departments that support the five strategic areas of the CAP. The investment amounts represent new resources included in the Fiscal Year 2022 Proposed Budget. These new resources are added to existing CAP investment in the departments' base budgets (continuing appropriations). The large increase in indirect spending for the Resiliency strategy is due to new expenditures for the Pure Water project.

Table 11: Funding Across City Departments

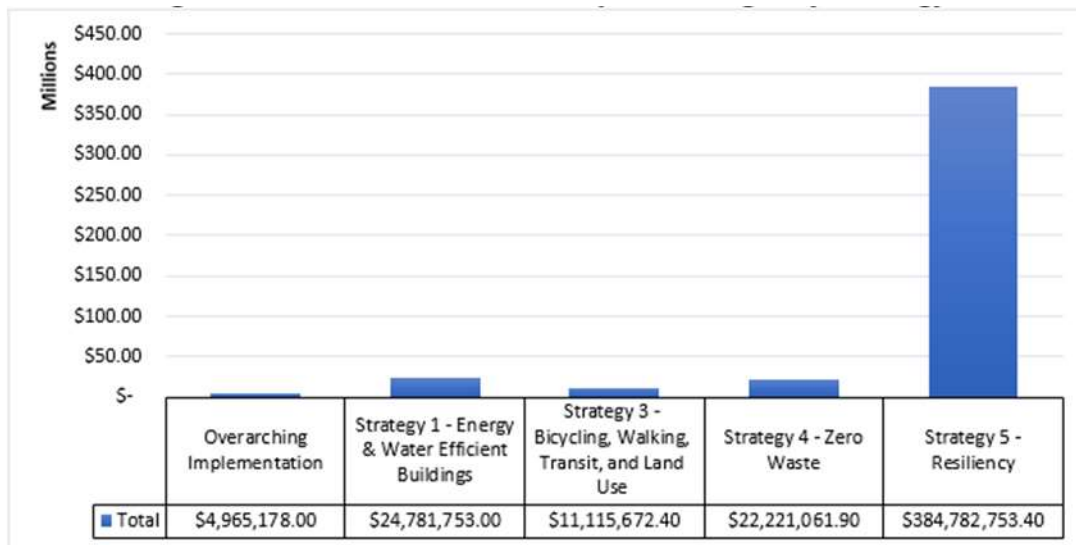
Climate Action Plan Fiscal Year 2022 Proposed Budget ¹			
Strategy	Direct	Indirect	Total
Overarching Implementation	\$-	\$4,965,178	\$4,965,178
Strategy 1 - Energy & Water Efficient Buildings	20,908,766	3,872,987	24,781,753
Strategy 2 - Clean & Renewable Energy	-	-	-
Strategy 3 - Bicycling, Walking, Transit, and Land Use	10,984,419	131,253	11,115,672
Strategy 4 - Zero Waste	17,482,127	4,738,935	22,221,062
Strategy 5 - Resiliency	687,848	384,094,905	384,782,753
Total	\$50,063,160	\$397,803,259	\$447,866,419

¹Table may not foot due to rounding

This budget analysis identifies both direct and indirect CAP efforts. Direct CAP efforts are explicitly identified as actions in the CAP (e.g. landfill gas capture) or directly support the CAP GHG reduction goals (e.g. increasing sidewalks or bikeways to increase walking or biking). Indirect CAP efforts are not explicitly referenced in the CAP or only partially support the CAP through climate change efforts (e.g. funding for the Pure Water Program, which supports climate resiliency through a diversified water supply and water results to help prepare or prevent periods of drought). **Figure 3** is a representation of these investments by each CAP strategy.

Citywide Budget Overview

Figure 3: Climate Action Plan Adopted Budget by Strategy



Mitigation Actions

City staff completed a comprehensive review to develop mitigation actions to address the baseline revenue shortfall and fund the critical expenditures mentioned above. The Fiscal Year 2022 Proposed Budget includes the following mitigation actions.

Budget Reduction Proposals

As part of the budget development process, General Fund departments were required to submit budget reduction proposals of the department's Fiscal Year 2021 Adopted Budget. Due to the impacts of the COVID-19 pandemic to the City's major General Fund revenues, General Fund departments were required to submit additional reductions for the Fiscal Year 2022 Proposed Budget. A total of \$15.0 million in budget reductions, including 102.92 FTE positions, are reflected in General Fund departments. It should be noted that since Fiscal Year 2018 more than \$87.4 million in budget reductions have been accepted in the General Fund. Although budget reductions that provided efficiencies and minimized impacts to service levels were prioritized, other ongoing reductions with service level impacts were also made in order to maintain a balanced budget. **Table 12** provides the total for budget reduction proposals by department included in the Fiscal Year 2022 Proposed Budget.

Table 12: General Fund Budget Reduction by Department

Department	Budgeted FTE Positions	FY 2022 Proposed Budget
City Attorney	-	\$1,135
City Clerk	-	618
City Treasurer	-	1,007
Communications	-	193
Council Districts and Administration	-	386

Citywide Budget Overview

Development Services	-	619,662
Economic Development	-	200,000
Environmental Services	-	878,702
Fire-Rescue	-	735
Library	100.92	6,884,558
Mobility	-	325,000
Office of the Assistant COO	1.00	499,209
Parks and Recreation	-	69,132
Personnel	-	744
Planning	-	611,175
Police	-	4,061,090
Public Works & Utilities	1.00	284,575
Purchasing & Contracting	-	3,893
READ - Facilities Services	-	5,951
Real Estate Assets	-	772
Storm Water	-	40,619
Transportation	-	545,177
Total	102.92	\$15,034,333

For additional information on General Fund budget reduction proposals, please refer to the General Fund Expenditures Section of this Volume.

One-Time Revenue Resources

City staff strategically evaluated all available funding sources as part of the FY 2022 Proposed Budget to ensure all resources were deployed to minimize impacts to service levels. In addition to the budget reduction proposals noted previously, the Fiscal Year 2022 Proposed Budget includes the following one-time mitigation actions:

- Due to the continued recovery in revenue for Fiscal Year 2022, the Mayor is requesting to suspend the requirements of section 77.1 of the City Charter for one fiscal year to allow for the use of approximately \$20.3 million for other general fund purposes in lieu of the transfer to the Infrastructure Fund;
- Use of \$7.9 million from the Pension Payment Stabilization Reserve that is projected to be available in Fiscal Year 2022 for increases in the annual pension payment or Actuarially Determined Contribution (ADC). The Pension Payment Stabilization Reserve is maintained to mitigate service delivery risk due to increases in the ADC as calculated in the most recent Actuarial Valuation Report produced by the San Diego City Employees' Retirement System's actuary. The most recent Actuarial Valuation Report reflects an annual increase of \$49.3 million citywide, of which the majority is in the General Fund;
- Use of \$8.8 million from the minimum bid for the new franchise agreement based on a 10-year payment plan available for use in the General Fund;
- Use of \$6.6 million in fund balances from various non-general funds. These funds include the Emergency Medical Services Fund, Stadium Operating Fund, Public Safety and Debt Service Fund, and Environmental Growth Funds; and
- Use of \$9.0 million associated with the Class Action Settlement associated with compensatory damages and relief for chemicals that caused the environmental impairment.

Citywide Budget Overview

The American Rescue Plan Act of 2021

The American Rescue Plan Act of 2021 (ARP) was passed on March 11, 2021, which, based on current estimates, allocated \$306.1 million in Coronavirus State and Local Fiscal Recovery Funds to the City. The American Rescue Plan Act provides additional relief to address the continued impact of COVID-19 and aid to states and local governments for direct and flexible relief. The bill expands on the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) that was enacted on December 27, 2020 and provides economic state and local aid. The Fiscal Year 2022 Proposed Budget includes \$141.3 million in Coronavirus State and Local Fiscal Recovery Funds, while the remaining funds are planned to cover current and future fiscal year expenditures. In accordance with the ARP Act language, funds may be used to:

- Provide government services to the extent of reduction in revenue due to COVID-19 relative to revenues collected in the most recent full fiscal year prior to the emergency;
- Respond to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- Provide premium pay up to \$13 an hour to eligible municipal or county workers performing essential services to respond to COVID-19. This provision is capped at a maximum benefit of \$25,000 per eligible worker; and
- Make necessary investments in water, sewer, or broadband infrastructure.

The funds cannot be used for offsetting tax cuts or for pension liabilities. At the time of the preparation of the Proposed Budget, additional guidelines expected from the United States Department of the Treasury were still pending; once this information is available, the City will ensure that the funds allocated continue to adhere to federal guidelines. These funds will be provided to the City in two tranches: The first tranche is anticipated to be deposited within 60 days of ARP Act, March 11, 2021; and, the second tranche will be provided no sooner than one year after the first deposit was made. The ARP Act allows funds provided by this legislation to be used through December 31, 2024.

The Fiscal Year 2022 Proposed Budget will use Coronavirus State and Local Fiscal Recovery Funds as revenue replacement in order to maintain current governmental services as well as add funding to respond to COVID-19 directly and the negative economic impacts from the pandemic. As discussed in earlier sections, the Fiscal Year 2022 Proposed Budget reflects many critical additions due to the use of Coronavirus State and Local Fiscal Recovery Funds.

To substantiate the use of these funds for revenue replacement, it is important to demonstrate the extent of revenue reduction when compared to the most recent full fiscal year prior to the COVID-19 emergency. In accordance with the terms of the ARP Act, the revenue loss from the COVID-19 pandemic has resulted in a total projected revenue loss of \$368.6 million in sales tax and transient occupancy tax from Fiscal Year 2020 through Fiscal Year 2023, as compared to Fiscal Year 2019 levels. As displayed in **Table 13**, the amount of revenue loss to the City, \$368.6 million, is greater than the City's total allocation of ARP Act funds, \$306.1 million. Please note that this revenue loss calculation has been prepared solely to demonstrate that revenue loss in sales tax and transient occupancy tax alone comply with eligible uses of the ARP Act funds.

Table 13: Sales Tax and TOT Revenue Loss

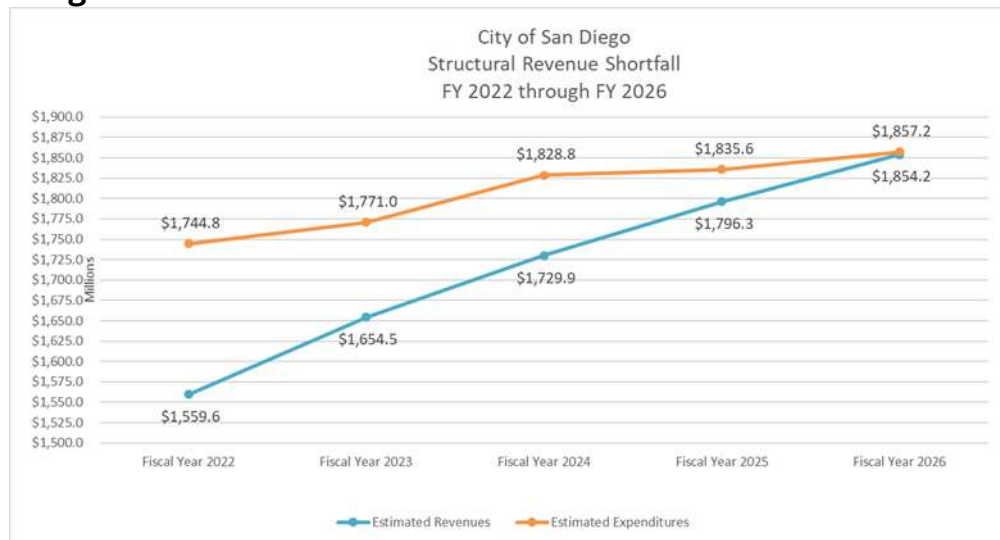
	Fiscal Year 2019 Baseline	Fiscal Year 2020 Actuals	Fiscal Year 2021 YE Projections	Fiscal Year 2022 Proposed Budget	Fiscal Year 2023 Outlook Projection
Sales Tax	\$ 304.4	\$ 282.8	\$ 283.5	\$ 320.8	\$ 342.3
Transient Occupancy Tax	250.9	181.2	103.3	181.1	211.8
Total Sales Tax and TOT	\$ 555.3	\$ 464.0	\$ 386.8	\$ 502.0	\$ 554.1
Sales Tax Revenue Loss from Baseline		(21.6)	(20.9)	0.0	0.0

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TOT Revenue Loss from Baseline		(69.7)	(147.6)	(69.8)	(39.1)
Total Annual Revenue Loss from		\$ (91.3)	\$ (168.5)	\$ (69.8)	\$ (39.1)
Total Revenue Loss from Baseline		\$ (91.3)	\$ (259.7)	\$ (329.5)	\$ (368.6)

As mentioned earlier, the Fiscal Year 2022 Proposed Budget reflects a multi-year analysis and proposes the use of the Coronavirus State and Local Fiscal Recovery Funds from Fiscal Year 2021 through Fiscal Year 2023. The City plans to use \$51.1 million in Fiscal Year 2021 to address the projected revenue shortfall outline earlier in this section, \$141.3 million in Fiscal Year 2022 to address the baseline revenue shortfall and critical expenditure additions, and \$113.7 million in Fiscal Year 2023 in order to maintain the proposed services in Fiscal Year 2022. This multi-year proposal allows the City to minimize budget reductions in the near term. However, to achieve a balanced budget in future years it will require further mitigations such as use of reserves, additional budget reductions, or identification of new revenue sources. As reflected in **Figure 4**, the City is estimating a structural revenue shortfall over the next five years. The figure also reflects a trend that ongoing revenues are not expected to exceed expenditures until Fiscal Year 2027.

Figure 4: Fiscal Year 2022-2026 Structural Revenue Shortfall



Citywide Personnel Expenditures

The Fiscal Year 2022 Proposed Budget includes a total of \$955.7 million in budgeted salaries and wages, and \$735.2 million for fringe expenditures or benefits, resulting in a total personnel budget of \$1.69 billion in personnel expenditures citywide. **Table 14** illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type.

Table 14: Fiscal Year 2022 Proposed Personnel Expenditures Budget

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,650.89	\$ 677,032,997	\$ 530,292,853	\$ 1,207,325,850
Special Revenue Funds	1,074.51	81,931,855	57,220,305	139,152,160
Enterprise Funds	2,699.69	169,867,894	127,120,884	296,988,778

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Internal Service Funds	330.48	21,174,472	16,581,773	37,756,245
Other Funds ¹	63.00	5,725,461	3,951,556	9,677,017
Total	11,818.57	\$ 955,732,679	\$ 735,167,371	\$ 1,690,900,050

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

Table 15 presents the change in positions based within job classifications from Fiscal Year 2021 to Fiscal Year 2022.

Table 15: Total City FTE Position Changes Fiscal Year 2021 - 2022

Fund Type	FY 2021 Adopted Budget	Additions	Reductions	Reorganizations	FY 2022 Proposed Budget	FY 2021 - FY 2022 Change	Percent Change
General Fund	7,640.02	118.20	(106.33)	(1.00)	7,650.89	10.87	0.1 %
Special Revenue Funds ¹	1,076.06	-	(1.55)	-	1,074.51	(1.55)	-0.1 %
Enterprise Funds	2,610.62	93.01	(11.94)	8.00	2,699.69	89.07	3.4 %
Internal Service Funds	337.23	0.25	-	(7.00)	330.48	(6.75)	-2.0 %
Other Funds ²	63.00	-	-	-	63.00	0.00	0.0 %
Total	11,726.93	211.46	(119.86)	-	11,818.57	91.64	0.8 %

¹ Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

² Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE positions.

For details on all position changes, refer to Attachment A - Fiscal Year 2022 Changes in Full-time Equivalent (FTE) Positions in the Appendix.

Salaries and Wages

The Fiscal Year 2022 Proposed Budget includes \$955.7 million in budgeted salaries and wages, with \$677.0 million or 70.8 percent budgeted in the General Fund. **Table 16** represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, the Municipal Employees Association (MEA), represents 33.6 percent of General Fund positions and 44.1 percent of all City positions.

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Table 16: Fiscal Year 2022 Proposed FTE Positions by Labor Group

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Labor Group Total
MEA	2,572.06	875.51	1,604.11	126.23	37.00	5,214.91
AFSCME LOCAL 127	1,038.26	41.00	918.00	157.25	-	2,154.51
POA	2,031.23	-	-	-	-	2,031.23
IAFF LOCAL 145	1,037.00	8.00	-	-	-	1,045.00
Unclassified / Unrepresented	482.47	100.00	103.89	27.00	19.00	732.36
Classified / Unrepresented	150.64	50.00	73.69	20.00	7.00	301.33
Teamsters Local 911	166.00	-	-	-	-	166.00
DCAA	162.23	-	-	-	-	162.23
Elected Officials	11.00	0.00	0.00	0.00	0.00	11.00
Fund Total	7,650.89	1,074.51	2,699.69	330.48	63.00	11,818.57

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

Table 17 displays the Fiscal Year 2022 Proposed Budget for salaries and wages by fund type.

Table 17: Fiscal Year 2022 Proposed Budgeted Salaries and Wages

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Budgeted Salaries and Wages
Salaries/Add-on-Pays	\$ 605,595,578	\$ 87,472,858	\$ 174,053,275	\$ 21,722,073	\$ 5,710,202	\$ 894,553,986
Salary Savings	(1,927,614)	(275,114)	(643,931)	(41,569)	(8,056)	(2,896,284)
Vacation Pay In Lieu	6,861,564	1,320,441	1,349,617	198,330	-	9,729,952
Termination Pay/Annual Leave	2,247,913	194,616	558,804	27,063	20,937	3,049,333
Hourly Wages	12,713,378	353,606	1,128,002	8,842	2,378	14,206,206
Overtime	67,784,863	1,108,178	12,709,119	513,560	-	82,115,720
Other Personnel Expenditures ²	(16,242,685)	(8,242,730)	(19,286,992)	(1,253,827)	-	(45,026,234)
Total	\$ 677,032,997	\$ 81,931,855	\$ 169,867,894	\$ 21,174,472	\$ 5,725,461	\$ 955,732,679

¹ Other Funds includes San Diego City Employees' Retirement System (SDCERS) FTE positions

² Other personnel Expenditures includes Budgeted Personnel Expenditure Savings and Adjust Budget to Approved Levels.

Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings is used as a budgeting tool to allocate resources that are projected to remain unspent to other priority needs. As part of the development of the Fiscal Year 2022 Proposed Budget, the City estimates an amount of personnel savings by department that is attributed to

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the following: vacancies, normal attrition, leaves of absence, under-filled positions, delays in the creation/filling of positions, time-dependent add-ons, unplanned termination pay and overtime, and variances in all personnel salary groups due to unforeseen circumstances. These estimates will require that departments monitor Fiscal Year 2022 personnel expenditures against available allocated appropriations, however, this does not prohibit departments from filling any budgeted positions. The Fiscal Year 2022 Budgeted Personnel Expenditures is \$63.7 million, representing a decrease of \$3.6 million or 5.3 percent from the Fiscal Year 2021 Adopted Budget. Budgeted Personnel Expenditure Savings is included in **Table 17** within the Other Personnel Expenditures category along with other miscellaneous adjusting entries. **Table 18** displays the budgeted personnel expenditure savings from Fiscal Year 2020 through Fiscal Year 2022.

**Table 18: Budgeted Personnel Expenditure Savings
Fiscal Year 2020 – 2022**

Departments/Funds	FY 2020 Adopted Budget	FY 2021 Adopted Budget	FY 2022 Proposed Budget
City Attorney	\$ 2,489,386	\$ 603,242	\$ 1,345,018
City Auditor	-	91,333	91,333
City Clerk	40,373	36,941	98,072
City Council	64,803	85,852	64,802
City Treasurer	276,872	710,696	411,840
Commission on Police Practices	-	-	24,696
Communications	85,849	119,745	115,523
Debt Management	57,691	126,672	57,699
Department of Finance	-	67,829	67,829
Development Services	326,226	339,123	367,059
Economic Development	128,940	547,445	254,904
Environmental Services	498,444	639,941	467,558
Fire-Rescue	6,616,559	9,789,879	6,634,500
Homelessness Strategies	-	-	85,852
Human Resources	57,691	115,398	85,852
Library	587,508	363,704	888,463
Mobility	-	-	199,181
Compliance	-	-	63,336
Office of Homeland Security	-	194,636	71,240
Parks and Recreation	1,407,745	1,461,631	1,700,001
Performance & Analytics	85,849	117,229	117,229
Personnel	-	33,613	38,459
Planning	545,318	599,098	395,616
Police	21,248,895	20,419,506	17,624,683
Purchasing & Contracting	535,820	708,364	594,807
READ-Facilities Services	857,936	596,234	518,190
Real Estate Assets	57,691	255,611	-
Storm Water	-	451,754	788,528
Transportation	2,026,413	1,770,632	1,695,555
Total General Fund	\$ 37,996,009	\$ 40,246,108	\$ 34,867,825

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Departments/Funds	FY 2020 Adopted Budget	FY 2021 Adopted Budget	FY 2022 Proposed Budget
Airports Fund	\$ 43,068	\$ 117,229	\$ 76,440
Central Stores Fund	-	57,090	73,986
Development Services Fund	1,326,664	2,998,384	3,670,507
Engineering & Capital Projects Fund	5,323,300	7,435,254	7,436,532
Facilities Financing Fund	-	69,950	133,286
Fire/Emergency Medical Services Transport Program Fund	-	47,986	47,986
Fleet Operations Operating Fund	229,518	810,557	1,037,236
GIS Fund	-	133,058	85,852
Golf Course Fund	56,187	169,143	193,108
Information Technology Fund	85,849	306,696	203,081
Metropolitan Sewer Utility Fund	2,085,092	3,451,825	3,869,603
Municipal Sewer Revenue Fund	1,955,768	3,378,643	3,368,092
OneSD Support Fund	-	171,704	203,081
Recycling Fund	431,956	705,912	422,105
Refuse Disposal Fund	345,953	539,355	500,922
Risk Management Administration Fund	149,782	368,317	142,605
Underground Surcharge Fund	123,504	33,613	61,755
Water Utility Operating Fund	2,906,138	6,095,062	7,186,215
Wireless Communications Technology Fund	101,760	94,674	71,157
Total Non-General Fund	\$ 15,164,539	\$ 26,984,452	\$ 28,783,549
Total	\$ 53,160,548	\$ 67,230,560	\$ 63,651,374

Total Budgeted Fringe Allocations

Total budgeted fringe allocations are personnel costs that are non-wage related. The budgeted fringe allocation is composed of fixed fringe and variable fringe costs. Fixed fringe costs are targeted amounts that are set by specific obligations established through agreements with recognized employee organizations, City Ordinances, or the City's Reserve Policy. The targeted amounts are independent of current FTE position count or salary amounts. Fixed fringe costs include: the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC); as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$530.9 million or 72.2 percent of budgeted fringe allocations in Fiscal Year 2022. The remaining budgeted fringe allocations are variable fringe costs that are dependent on payroll activity, such as reductions or additions in staff, and salary increases or decreases. **Table 19** displays the citywide fringe allocation which totals \$735.2 million for Fiscal Year 2022, of which \$530.3 million or 72.1 percent is budgeted in the General Fund.

Table 19: Fiscal Year 2022 Annual Budgeted Fringe by Fund Type

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Fringe Totals
Retirement ADC	\$ 314,536,608	\$ 29,601,364	\$ 61,110,417	\$ 7,641,437	\$ 2,040,302	\$ 414,930,128

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Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Fringe Totals
Flexible Benefits	90,106,194	12,507,508	30,165,592	4,122,551	819,159	137,721,004
Retiree Health/Other Post-Employment Benefits	42,808,231	5,785,846	14,490,628	1,904,262	391,734	65,380,701
Supplemental Pension Savings Plan	24,640,224	5,461,399	10,857,418	1,458,128	401,098	42,818,267
Workers' Compensation	30,039,995	572,934	3,613,315	538,176	39,139	34,803,559
Risk Management Administration	7,414,770	1,002,147	2,509,099	329,831	67,851	11,323,698
Medicare	9,245,760	1,141,618	2,208,350	293,351	80,592	12,969,671
Employee Offset Savings	5,466,233	372,076	548,034	81,754	47,537	6,515,634
Retirement DROP	1,781,393	170,361	472,084	61,077	19,574	2,504,489
Unemployment Insurance	818,408	112,250	229,634	30,163	8,652	1,199,107
Retiree Medical Trust	972,164	116,345	196,443	27,126	7,716	1,319,794
Retirement 401 Plan	206,811	66,705	86,845	10,666	4,345	375,372
Long-Term Disability	2,256,062	309,752	633,025	83,251	23,857	3,305,947
Fund Type Totals	\$ 530,292,853	\$ 57,220,305	\$ 127,120,884	\$ 16,581,773	\$ 3,951,556	\$ 735,167,371

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2022 Proposed Budget is \$414.9 million and its components are described in further detail below:

- The City's pension payment for Fiscal Year 2022 as of June 30, 2020 is \$414.9 million, an increase of \$49.3 million from the Fiscal Year 2021 Adopted Budget; approximately \$314.5 million or 75.8 percent of the ADC is budgeted in the General Fund. The significant change was primarily due to the following: \$30.9 million increase in the pension payment was associated to changes in demographic assumptions; \$6.9 million associated to the liability experience loss driven largely by salary increases higher than those assumed; and a \$12.3 million increase due to a net asset experience. Offsetting these increases is a reduction of \$0.8 million in the ADC that had been anticipated based on the prior year's actuarial valuation.
- \$1.5 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits. Note this figure is not reflected in **Table 19**.
- \$1.9 million has been budgeted citywide of which \$1.5 million is in the General Fund via the Citywide Program Expenditures Department. This is to fund the pay-go costs for the supplemental cost of living adjustment (COLA) benefit. The supplemental COLA benefit was established by San Diego Ordinance O-18608, adopted on January 11, 1999, to increase the monthly retirement

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allotment for retirees who retired before July 1, 1982 with at least ten years of service credit and whose benefits had fallen below 75.0 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earnings from the previous fiscal year to fund this benefit. However, this reserve was depleted in Fiscal Year 2015. As a result, Ordinance O-20282 was adopted on July 23, 2013 and the City funds the supplemental COLA benefit annually. Note this figure is not reflected in **Table 19**.

Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2022 Proposed Budget for Flexible Benefits is \$137.7 million, representing an increase of \$1.6 million from the Fiscal Year 2021 Adopted Budget. This increase is primarily the result of the agreements accepted by the City and four of the six REOs in which flexible benefit tiered plans for employees and their families were increased while also limiting the cash-back options to existing employees who waive or select employee only coverage.

Through the Flexible Benefits Plan, the City currently offers healthcare coverage to all of its fulltime, three-quarter time, half-time employees, and non-standard hour employees working an average of at least 30 hours per week or 130 hours per month, per the Affordable Care Act (ACA), through the Flexible Benefits Plan. The majority of City employees qualify for the Flexible Benefits Plan, thus complying with a key component of the ACA. The City continues to monitor ACA mandates and clarifications to assess the impacts on City benefit plans.

Retiree Healthcare/Other Post Employment Benefits (OPEB)

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its recognized employee organizations and provided the same terms to unrepresented employees regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreements discuss the City's annual OPEB budget and in Fiscal Year 2022 the budget is \$65.4 million for retiree health care benefits. If the retiree health defined contribution and pay-as-you-go actuals exceed \$65.4 million, then the excess will be withdrawn from the City's CalPERS Employer Retiree Benefit Trust (CERBT) account.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In 1982, the City opted out of Social Security and established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must contribute a mandatory 3 percent. Employees hired on or before July 1, 1986 can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986 an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2022 Proposed Budget for SPSP is \$14.0 million.

General members hired on or after July 1, 2009 but before July 20, 2012 receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2022 Proposed Budget for the City's contribution match is \$375,372 based on 519.50 FTE general members. New hires with offers of employment made on or after July 20, 2012, with no prior City service, are placed in the SPSP-H Plan, which is being used as an Interim Defined Contribution Retirement Plan for benefited employees. Eligible new hires who are non-safety employees are required to contribute 9.2 percent of compensation to the plan, which is matched by a 9.2 percent employer contribution. For safety employees, the mandatory employee and matching employer contributions is 11.0 percent of compensation. The Fiscal Year 2022 Proposed Budget for the City's Interim Defined Contribution Retirement Plan is \$27.9 million, which represents an increase of \$2.7 million over the Fiscal Year 2021 Adopted Budget. This increase is

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primarily due to the assumption that vacant and new positions being added to the budget will be filled by employees in the Interim Defined Contribution Retirement Plan. Additionally, the Fiscal Year 2022 Proposed Budget includes \$0.8 million in the SPSP-H account for hourly employees. **Table 19** reflects a total budgeted amount of \$42.8 million which includes SPSP, SPSP-H and hourly SPSP-H contributions.

Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related injuries or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City. The workers' compensation contribution in the Fiscal Year 2022 Proposed Budget is \$34.8 million. The workers' compensation contribution in the Fiscal Year 2022 Proposed Budget is \$34.8 million with no contributions to the reserves. The increase of approximately \$1.1 million from the Fiscal Year 2021 Adopted Budget is due to an increase in projected pay-go requirements.

Risk Management Administration

The Risk Management Administration (RMA) rate was established to support the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Employee Benefits, Savings Plans, and Long-Term Disability. The Fiscal Year 2022 Proposed Budget for Risk Management Administration is \$11.3 million.

Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime or other employee special pays. The Fiscal Year 2022 Proposed Budget for Medicare is \$13.0 million.

Employee Offset Savings (EOS)

Labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution; in exchange, the savings the City realizes as a result of this reduction must be used to address the City's pension UAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS Fund. The Fiscal Year 2022 Proposed Budget includes Employee Offset Savings of \$6.5 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$6.5 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary which is currently \$82.1 million. The Fiscal Year 2022 Proposed Budget for Retirement DROP contributions is \$2.5 million.

Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2022 Proposed Budget for Unemployment Insurance is \$1.2 million.

Retiree Medical Trust (RMT)

The Fiscal Year 2022 Proposed Budget for retiree health trust contributions is \$1.3 million. General members hired on or after July 1, 2009 must contribute 0.25 percent of payroll into a retiree medical trust, which the City matches. The Fiscal Year 2022 Proposed Budget for the City's contribution match to general members is \$706,844. In addition, \$612,950 is included in the Fiscal Year 2022 Proposed Budget for

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contributions to the Southern California Firefighters Benefit Trust for each active International Association of Firefighters (IAFF) Local 145 member.

Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-Term Disability (LTD) contribution in the Fiscal Year 2022 Proposed Budget is \$3.3 million. This contribution funds the pay-go requirements for the LTD Fund; there are no reserve contributions to the LTD Fund in Fiscal Year 2022.

Proposition B Status

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the San Diego City Charter. As a result, all employees hired on or after July 20, 2012, other than sworn police officers, are no longer eligible to participate in the City's defined benefit plan and are only eligible to participate in a defined contribution plan (subject to appellate court ruling as discussed below).

In December 2015, the Public Employment Relations Board (PERB) issued a decision (the "PERB Order") in an Unfair Practice Charge (UPC) filed by certain City's labor unions (Unions) ruling that the City had violated the Meyers-Milias-Brown Act (MMBA) when it failed to meet and confer with the Unions over the language of Proposition B prior to placing it on the June 2012 ballot.



Between January 2016 and March 2019, the matter was adjudicated at both the California Appellate Court and California Supreme Court levels. The California Supreme Court ultimately upheld PERB's determination of an MMBA violation, and remanded the matter back to the Court of Appeal for further proceedings to determine the appropriate judicial remedy. The City sought review with the United States Supreme Court, however, it was denied.

On March 25, 2019, the Court of Appeal affirmed the PERB Order with the following modifications (the "Modified PERB Order"): (1) The City must meet and confer with the Unions over the effects of Proposition B. (2) For the time period that ends with the completion of the bargaining process (including the exhaustion of impasse measures, if an impasse occurs), the City must pay the affected current and former employees represented by the Unions the difference, plus seven percent annual interest, between the compensation (including retirement benefits) the employees would have received prior to when Proposition B took effect and the compensation those employees received after Proposition B took effect (the "Make-Whole Provision"); and (3) The City must meet and confer at the Unions' request and is precluded from placing a charter amendment on the ballot that is advanced by the City that affects employee pension benefits and/or other negotiable subjects until the bargaining process is complete.

The REOs requested that the Court of Appeal invalidate Proposition B, however, the court declined to do so, concluding that the question of Proposition B's validity would be more appropriately decided in a separate quo warranto proceeding. In June 2019, the City Council directed the City Attorney's Office to "take appropriate and affirmative action to invalidate Proposition B, which would include working with the [REOs]." On June 25, 2019, the REOs served the California Attorney General with an Application for Leave to Sue in quo warranto. The Attorney General granted the Unions Leave to Sue and on September 27, 2019,

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the REOs filed their complaint in Superior Court. The City answered the REOs' complaint agreeing invalidation was appropriate. The REOs stipulated to the proponents of Proposition B entering the case as defendants-in-intervention. On January 5, 2021, the Court conducted a one-day virtual bench trial at the request of all parties following the Court's ruling issued on December 18, 2020, denying, without prejudice, the parties' dueling motions for summary judgement. At the conclusion of the trial the court ruled that Proposition B is invalid and awarded costs to the REOs and the City. Notice of Entry of Judgement was served on the proponents on February 8, 2021 and the deadline for the proponents to file a notice of appeal was April 9, 2021. The proponents did not appeal the Court's decision.

Neither PERB nor the Appellate Court clearly defined how the value of the benefits under the Make-Whole Provision should be calculated; meaning the ultimate cost to the City, if any, will likely be the subject of negotiations between the City and the REOs. The City's preliminary analysis and work performed by SDCERS' actuary has provided a preliminary understanding of what disparity exists between the benefits provided under Proposition B versus what employees would have otherwise received under the City's defined benefit plan. That preliminary analysis identified several assumptions that would be the subject of negotiations between the City and REOs including, but not limited to, the investment rate of return, the discount rate, and how interest earnings are calculated. Any one of these assumptions could significantly alter the estimated one-time and ongoing costs to the City and such costs could be material. A further consideration in implementing any compensatory remedy is compliance with federal tax laws and regulations, which may also restrict the remedies available through labor negotiations. Accordingly, it would not be meaningful or informative for the City to provide any such preliminary cost estimates at this time. The Fiscal Year 2022 Proposed Budget does not include any potential costs associated with implementation of the remedy.

General Fund Revenues



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